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ECONOMIC NEWSLETTER

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Economic Results through August 1991

The economic data continued to be considerably more unreliable and fragmented than in the past. However there is some information even though it must be treated with caution. At this writing the latest economic statistical reports that we have are for the first eight months through August 1991. Industrial production is reported to have dropped by 6% in August compared to August 1990.

As regards specific industries, coal extraction was down 11% in both August and for the eight month period as a whole and oil production is down 10%. That means that the country has had 52 million tons of coal less than the preceding year and a contraction of 38 million tons of oil.

The production of rolled metal was down 12% and there were 13% fewer tractors. In a similar way, sulfuric acid production dropped 10% for the first eight months of 1991, including a 15% drop in August.

The output of food products was down 10-13%. Production of other household items such as soap and detergent was down 17-20%.

Much of the deteriorating situation in August was of course due to the coup. Production, despite some denials, came to a standstill at least in Moscow and Leningrad during the period of August 19-21.

The Budget Deficit Continues to Deteriorate

In the confusion as to who is in charge, a union or the republics, it turns out that there are almost no taxes being collected by the center. Therefore, if anything, it is surprising that the budget deficit is reported to be only 144 billion rubles as of early September. When the deficits that have accumulated in the different republics are added, the budget deficit now surpasses 200 billion rubles. That in turn helps to explain the growing outpouring of rubles. As the accompanying table indicates, over the past thirty years, the ruble's circulation has increased seven fold and the velocity has tripled.

(In bils. of rubles)

Year	Yrs. money income	Turnover of the average money stock (in days)
1960	90.2	30.0
1965	127.8	39.9
1970	193.0	49.8
1975	268.7	61.1
1980	342.3	66.9
1985	424.2	75.5
1990	652.9	91.3

There are also reports that in August 1991 the amount of money printed equalled the total amount of money printed in all of 1990. That should help explain why there is such a large increase in incomes and why inflation now exceeds three hundred percent a year and is heading towards hyperinflation.

The Black Market

The Soviets have also published some additional information about the income of the black market, or the dark market as they call it.

It is uncertain how they gathered such information, but the Goskomstat, the state statistical agency, reports that the black market in 1990 grew almost by one-half. In 1990 approximately every fourth ruble of income was obtained from the black market, that is, from the sale of non-food goods. Based on a sampling of family budgets, approximately 20% of all the purchased motorcycles and over 10% of the VCRs and about 25% of all automobiles that were purchased were purchased outside official state channels. The income from speculation on automobiles and spare parts was estimated to be sixteen billion rubles.

The Nationality Structure of the Soviet Union

The Soviets have published some recent data showing the composition of the different major nationality groups by republics for 1989. They also have made a comparison with 1979. These data show that as of 1989 the number of Russians was still more than half of the total population. If the survey were made today, that would probably not be the case. Many people in what used to be the Soviet Union would declare themselves Russian for convenience, but now with the heightened ethnic tensions that have developed, it is likely that many of the people that formerly indicated they were Russian would go back to calling themselves one of the minorities. The ethnic groups that have risen in size are primarily in the Muslim regions: particularly in Uzbekistan and the other Central Asian republics as well as Azerbaijan. The Armenians seem to be the people that are less concentrated in the republic of Armenia itself and are more spread out around the country.

	% of population	
	1979	1989
Russians	52.4	50.8
Ukrainians	16.2	15.5
Belorussians	3.6	3.5
Uzbek	4.8	5.8
Kazaks	2.5	2.8
Georgians	1.4	1.4
Azerbaijani	2.1	2.4
Lithuanians	1.1	1.1
Moldavians	1.1	1.2
Latvians	0.5	0.5
Kirghizi	0.7	0.9
Tadzhiks	1.1	1.5
Armenians	1.6	1.6
Turkmeni	0.8	1.0
Estonians	0.4	0.4

	# s in thousands	% of population on native territory
Russians	145155	82.6
Ukrainians	44186	84.7
Belorussians	10036	78.8
Uzbek	16698	84.7
Kazaks	8136	80.3
Georgians	3981	95.1
Azerbaijani	6770	85.7
Lithuanians	3067	95.3
Moldavians	3352	83.4
Latvians	1459	95.1
Kirghizi	2529	88.2
Tadzhiks	4215	75.3
Armenians	4623	66.7
Turkmeni	2729	93.0
Estonians	1027	93.8

FOREIGN EXCHANGE RATES
as of October 2, 1991
Quoted in rubles

	Official Rate	Commercial Rate	Tourist Rate
£100 Sterling	102.00	306.00	5613.12
100 Aust. Sch.	4.97	14.91	273.62
100 D. Marks	34.90	104.70	1920.65
100 D. Guilders	30.97	92.91	1704.39
100 U.S. Dollars	58.15	174.45	3200.00
100 Fr. Francs	10.27	30.81	565.32
1,000 Jap. ¥	4.38	13.14	241.29
10,000 It. Lire	4.67	14.01	256.82
100 Swiss Frs.	40.17	120.51	2210.71
100 Nor. Kroner	8.92	26.76	490.84
1,000 Bel. Frs.	16.98	50.94	934.58
100 Sw. Kronor	9.56	28.68	526.19

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